



The APPRAISER

A PUBLICATION OF THE ARKANSAS APPRAISER LICENSING & CERTIFICATION BOARD

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August 2006

Opinion Of Value

By Richard A. Stephens
Board Chairman

One of our main concerns as members of the appraisal profession is providing services to our clients. We are asked daily to provide solutions to issues about real property value, and our clients expect what we say to be *unbiased, objective and impartial*.

We have provided solutions based on these precepts as outlined in the *Uniform Standards of Professional Appraisal Practice* (USPAP).

On July 1, however, USPAP entered yet another phase of its development by putting the emphasis instead on following a process designed to come up with credible solutions to real property problems. The key word here is **credible**. Now the emphasis is on the need to identify the problem to be solved and the appropriate way to solve it, and competently apply the solution. Gone is the identification of a report as "Complete" or "Limited." Also gone are such matters as "Departure Rule" and Specific Requirement.

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Federal Auditors Express Concerns About 2 of Board's Rules, Practices

The federal Appraisal Subcommittee (ASC) has completed its sixth compliance audit of the Arkansas Licensing and Certification Board since its inception in 1991 and has found two deficiencies in the state agency's rules, regulations, and practices.

Both "deficiencies" the ASC cited in its July 19 letter have existed since the Board adopted its rules and regulations nearly 15 years ago. The ASC has notified the Board that the deficiencies must be corrected, and the corrections must be applied retroactively.

ALCB Director Jim Martin said the Board will review the ASC findings at its Aug. 29 meeting and decide on a course of action.

One concern affects those who reinstate their licenses from inactive status, and the other pertains to "mass appraisers," who are those who do appraisals for ad valorem tax purposes.

Reinstatement Issue

Arkansas' rules require that any appraiser who wants to reinstate his/her credential from inactive status must take 14 hours of "refresher courses," plus any continuing education that was delinquent before inactive status. Also, any appraiser who has been on inactive status for three or more years must take "the USPAP course."

In September 2005, the Appraiser Qualifications Board (AQB)

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Public Hearing

on
proposed
rules
and
regulations
amendments

1:30 p.m.
Wednesday
Sept. 6, 2006

Board Conference
Room-Suite 430
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adopted an Interpretation of its criteria "clarifying" that waivers and deferrals of continuing education are not allowed. It states also that before reactivation, inactive credential holders must complete all continuing education that would have been required during the time they were inactive, including the most recent edition of the 7-hour USPAP Update Course. (This completion of continuing education requirements can be deferred for up to 180 days for those returning from active military duty.)

The AQB's new Interpretation must be applied to the two appraisers who reactivated their licenses since September 2005, boosting their continuing education requirements considerably, the ASC has advised the Arkansas Board. Further, the Board has been told to review its records for any other appraisers who failed to meet the

new Interpretation.

The continuing education concern for reinstatement of an inactive appraiser has been addressed in the Board's proposed new rules that are pending now.

Mass Appraisers' Issue

According to the ASC, Arkansas' rules and regulations allow tax assessors to become certified appraisers without conforming to AQB experience requirement and in a manner that is inconsistent with the ASC's Policy Statement 10 F.

Under AQB certification requirements, the ASC said, ad valorem tax appraisal experience is acceptable, but it must conform to USPAP Standard 6 and may be given credit if it demonstrates proficiency in appraisal principles, techniques, or skills used by appraisers practicing under USPAP Standard 1. Also, verification of experience claimed must be on a state form that should include information about the type of property and its address, date of report, and description and hours of work performed. Finally, reports or file memorandum should be available to support the experience claimed.

Arkansas, according to the ASC, awards experience credit to mass appraisal applicants based on a timed log of specific appraisal tasks performed (often in a one-line summary) and by demonstrating before taking the exam that he or she effectively has used similar appraisal process techniques to value properties as other appraisers do.

This does not conform to AQB criteria, the ASC said.

The ASC recommended that those deemed deficient be notified and told they must make their documentation the same as the Board for non-mass appraisers/tax assessor applicants. Those who fail to document the necessary experience are to have their licenses downgraded.

Opinion from Page 1

The Scope of Work concept has replaced Departure and become the primary tool for flexibility in USPAP. By applying Scope of Work correctly, you can broaden and enhance your practice and provide a wider range of services to your clients. However, we are not only faced with applying the Scope of Work concept as we interact with our clients, we also must understand how to communicate it effectively in a report.

Scope of Work is a more evolved concept than Departure. In Scope of Work, you first identify the client, the intended user(s), the intended use of the assignment results, and the type of value to be developed. With this information, you then tailor the amount of research and analysis to the assignment. There is an ideal solution for every assignment, and rather than follow a rote procedure for every one of them, you must consider the best

solution for the problem at hand.

It goes without saying that considering your appraisal assignment in this manner places great responsibility on you.

If Scope of Work is a concept to which you have not been introduced, consider taking a seminar on the topic. Many of us are beginning a new two-year education cycle, so why not let a Scope of Work class be your initial effort on this cycle? Remember also that the 7-hour USPAP Update class provides a wealth of information on Scope of Work.

Upgrade your library, too. There are many newly published manuscripts on Scope of Work. One of the best I've read is entitled simply *Scope of Work* and was written by Stephanie Coleman, MAI, SRA, and published by the Appraisal Institute.

Be proactive, enhance your practice, and exercise some of the options that correctly applying the Scope of Work concept can bring to your appraisal practice!

State Registered Renewals Due By End of Year

State Registered appraisers and trainees should receive mailed reminders from the Board in early November that their licenses are on a calendar-year basis and must be renewed by Dec. 31 to avoid penalty or lapse in status.

The reminders will say what renewal fees and documents confirming continuing education credits need to be returned with the statement to the Board.

In preparing to renew, a State Registered appraiser should consider whether he or she has or can comply with these requirements:

- ◆ If the person became registered between July 1, 2005, and June 30, 2006, he or she needs to submit documentation for 14 hours of acceptable education.
- ◆ These same individuals also are required to have completed the 15-hour Uniform Standards course with exam.
- ◆ State Registered appraisers have to take the 7-hour USPAP Update course every two years after completing the 15-hour USPAP.

'Mass Appraisers' Rules Change

State Registered appraisers working in the ad valorem tax field seeking license renewal should be aware that they are affected by a new ruling from the Appraisal Subcommittee that the Arkansas Board can accept their experience for credit only when it complies with Standard 6 of the Uniform Standards of Professional Appraisal Practice (USPAP). This means the Board may no longer accept a log of actual time spent from so called "mass appraisers." (See Findings article, this issue).

Investigator's Highlights

Fewer Complaints Filed, But...

By *Mary Lou Brainerd*
Board Investigator

Fewer complaints have been filed this year than for the comparable period in 2005. However, the complaints this year appear to be more involved and often more serious than the typical ones we received in the past. In addition, I am receiving daily calls (inquiries that have not yet developed into complaints) from persons who are upset about square footage differences sometimes no greater than 50 square feet. I predict that as the real estate sales pace slows and the interest rates rise, the very people who were pushing for speedier results and higher values will become your worst nightmare.

During the first half of this year, 30 cases were concluded with either Probable Cause Panels or Non-Judicial (informal) Hearings. Of these, nine were dismissed, nine were dismissed with "Letters of Advice," four were dismissed with "Letters of Caution" and eight were concluded with Consent Agreements. Two appraisers rejected Consent Agreements, preferring instead to take their cases to the full Board for formal administrative hearings. Four other cases were referred directly to formal hearings by the Board.

A problem I'm seeing more often in reports that are either the subject of a complaint or of a work product being submitted by those on probation is so called comparable sales that are not comparable at all. Just today I looked at a report in which the subject was a split-level home with a large deck and an addition behind the garage that caused some obstruction of the upper-floor windows. As comparables, the appraiser had chosen newer, more modern-appearing one-and-a-half-story dwellings with many gables (probably at least nine-foot ceilings) and steeply pitched roofs with no adjustment for age or for design and appeal. The result appeared to be an inflated value. You need to be on guard for these pitfalls.

When checking over your work before sending it out, look at it as if you were your own worst critic or your biggest competitor. Be sure to read your "canned" statements. You'd be amazed at the contradictions I often see between them and your thoughtful comments.

And, always, remember that if ever you have a question, call us!

Logs Are Another Problem for SRs

Last January, State Registered appraisers were notified that the Board had adopted a new policy to minimize the time and hassle required for processing applications to sit for the semiannual exams.

The new policy came about because the Board was finding too many deficiencies in experience logs and in the appraisal reports being submitted.

The new policy specified that after Jan. 1, 2006, State Registered appraisers who actually are training under a supervisor and are docu-

menting hours of experience to meet the prerequisite for licensing or certification shall submit a copy of his/her log to the Board for review when about 500 hours have been reached.

Upon logging an additional 1,000 hours (or a total of 1,500 hours) of experience, the trainee shall submit to the Board a copy of his/her experience log along with an exact copy of a recently completed work product on which he/she performed a majority of the work. At this benchmark, the Board reserves the right to request additional reports

See **Renewals**, page 6

Big Jump in Education Requirements Looming

Operating on the assumption that notices of major changes affecting one's livelihood cannot be mentioned enough, the Arkansas Appraiser Licensing and Certification Board once again advises that a watershed event is to occur in the appraisal industry on Jan. 1, 2008.

This is the day the Appraisal Qualifications Board's new education and experiences requirements to obtain or upgrade a license go into effect.

Qualifying education for State licensing and residential real property appraiser jumps to 150 hours (up by

60 hours). Qualifying experience continues to be 2,000 hours; however, it must have been obtained in no fewer than 12 months.

For Certified Residential appraisers, the qualifying education hours will become 200—an increase of 80. *The applicant also must have at least 21 hours of specified college course work or a two-year associate's degree.*

For Certified General Appraisers, the qualifying education has been boosted to 300 hours, a hike of 120 hours. *And the applicant must have 30 hours of specified college work or a bachelor's degree.*

All of this is relatively clear-cut, but

there's a tricky part involved. Here it is:

An "appraiser in training" who completes education requirements for either classification under current rules may document that fact by affidavit before Dec. 31, 2007.

The affidavit affirms that the applicant has met the education prerequisite and can complete the experience requirements and take the exam after Jan. 1, 2008. All education affidavits and applications received after Dec. 31, 2007, will be processed under the new and greater requirements.

The affidavit form may be downloaded from the Board's website: www.state.ar.us/alcb/

Revise Curriculum, State Board Urges

The state Appraiser Licensing and Certification Board is urging those who provide qualifying appraisal education for Arkansans to revise their curricula to reflect the new core courses that the Appraiser Qualifications Board (AQB) has adopted along with its increased education requirements for licensure.

Even though the new requirements don't go into effect until Jan. 1, 2008, the Board has started trying to harmonize the currently approved courses (about 165 of them) for credentialing with the litany of subjects the AQB is demanding.

Board Executive Director Jim Martin has written to each known education provider in and near Arkansas with suggestions about how to do this by concentrating on revamping its curriculum to coincide with the AQB subtopics of the 30 hours of Principles and 30 hours of Procedures courses.

If the basic courses are not reconfigured, Martin said in his letter, the Board may have to develop a tracking system requiring an hourly breakdown by subtopic headings. Or, he added, the Board may elect to disapprove a basic course that is inconsistent with the AQB core curriculum.

Questions & Answers

Here are several questions the Appraisal Foundation has received and the responses it gave:

Question: Fannie Mae's new Form 1004 indicates the agency does not require completion of the cost approach. Is it acceptable simply to omit the cost approach when using this appraisal report form?

Response: The form on which an appraisal is reported does not dictate the scope of work performed.

The appraiser first must identify the appraisal problem and determine the proper scope of work. (See Opinion of Value, Page 1.)

If the cost approach is required to achieve credible assignment results, then it must be developed and the results must be included in the appraisal report. If not needed, the appraiser may elect not to complete the cost approach. But if the cost approach is omitted, the report must explain why.

Whether the cost approach is necessary is a decision the ap-

praiser must make based on the intended use, intended user, and other assignment element.

Question: USPAP requires an appraisal report to contain a citation of the source of the value definition used. Is this information addressed adequately on Fannie Mae's new Form 1004?

Response: Yes. The value definition is pre-printed on the form, and there are several references to the fact that Fannie Mae is the source of the form. Therefore, no additional citation is required.

Question: I heard that recertifications of value are no longer permitted. Is this true?

Response: No, it is not true, but there's a lot of confusion concerning the term "Recertification of Value" because some clients mistakenly use it in place of "Update."

Appraisers may perform a "Recertification of Value" to confirm whether the conditions of a previous appraisal have been met. An "Update" is performed when a client wants to know whether the *value* of a property has changed (or remained the same) since a previous appraisal.

STATUS REPORT

As of August 10, 2006, Board records showed these totals for appraisers:

State Certified General . . .	429
State Certified Residential	348
State Licensed	146
State Registered	379

(Includes temporary and nonresident appraisers)

NEXT LICENSING, CERTIFICATION EXAM

April 7, 2007

**DEADLINE TO APPLY:
February 2, 2007**

Potential applicants should contact the Board's staff for current information about the application process, exam schedules, fees, and other licensing matters. Call (501) 296-1843; use our website at www.state.ar.us/alcb/, or write to the Appraiser Licensing and Certification Board, 101 E. Capitol Ave., Suite 430, Little Rock, AR 72201

Hearing Set on Changes to Rules

The Arkansas Appraiser Licensing and Certification Board will hold a public hearing at 1:30 p.m. Wednesday, September 6, on proposed revisions to its rules and regulations, many of which reflect the greater education requirements the Appraiser Qualifications Board (AQB) has set for licensure.

The major changes, in addition to those involving the AQB's new licensure education requirements, are:

- ◆ Adopt the segmented approach option to the revised education requirements that Arkansas has elected to use (See related article, this issue);
- ◆ Quantify the amount of experience attributable to nonclient sources;
- ◆ Enact a requirement that an applicant must show 14 hours of continuing education for each year of inactive status in order to reactivate a license.
- ◆ Include an appendix listing AQB's required core curriculum

hours and subtopics for all categories of credentialing; and

- ◆ Specify that at the minimum, a supervising appraiser must have one or more years of experience as a State Certified Residential appraiser.
- ◆ Item 6 under Section III, IV, V © (5) has been deleted because it treated mass appraisers (for ad valorem tax purposes) differently, and federal rules won't allow this. Item 5 has been rewritten to clarify that all work experience, to be credited, must be in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP).

The hearing will be held in the Board's Conference Room at 101 E. Capitol Ave., Room 430, Little Rock, AR, 72201.

The Board welcomes comments, but in the interest of accuracy, please also submit them in writing. You also may email them to: alcb@mail.state.ar.us

EDUCATION OFFERINGS

AR Chapter of the Appraisal Institute - Contact Sara Stephens at (501) 372-7513.

Baker's Professional Real Estate College - Shreveport, LA. Contact Billie Baker at 1-318-222-7459.

Career Web school - Distance Learning online. Call 717-919-9191.

The Columbia Institute - Visit www.columbiainstitute.org or call 1-800-460-3147 for information.

Delta Seminars - Marshall & Swift Residential, 15 hrs. QE, Benton, Sept. 8-9; reviewing Residential Appraisal, 15 hrs. QE, Benton, Oct. 27-28. Contact Mickey Lee at 870-731-8008 for more information.

Lifetime Learning - Contact Dennis McElroy at (417) 887-2221, All classes held in Springfield, MO.

The Lincoln Graduate Center - Call 1-800-531-5333.

McKissock Appraisal School - Call 1-800-328-2008.

Mid-South RE Appraisal Educators - 120 hours of QE in pre-licensing education series, Hot Springs, Sept. 9-18 and Oct. 2-7; 7-hour USPAP Update to be offered in early November in Fort Smith. Contact James Reuss at j-reuss@sbcglobal.net

National Association of Independent Fee Appraisers - Call 1-312-673-5914.

Ozarks Technical Community College - Springfield, MO. Call Mike Toler at 1-417-477-8880.

RCI Career Enhancements - Basic Income Approach, 15 hrs. QE/CE, Russellville, Aug. 28-29; Identifying and Locating the Property, Descriptions, Tools and Techniques, 15 hrs. QE/CE, Russellville, Oct. 16-17; 7-hour USPAP Update, Russellville, Dec. 11; Effective Communications in Appraisal Practice, 7 hrs., CE, Russellville, Dec. 12; National 2006 USPAP Course, 15 hrs., Russellville, Dec. 18-19. Call David Reinold at (479) 968-7752.

John C. Wilkerson Jr., - Pryor Creek, OK. Call 1-918-825-1514 for class schedules.

ARKANSAS



APPRAISER LICENSING & CERTIFICATION BOARD

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Little Rock, Arkansas 72201**

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Renewals, from Page 3

for review from the log.

Single family residential appraisal reports should incorporate both sales comparison and cost approaches. (URAR) Non-residential reports should address, at the minimum, two approaches to value with the income approach preferably being one of them.

On receiving the interim experience log and/or report, the Board staff will review the documents and respond with appropriate recommendations and/or suggestions for improvements. Complying documents also will be acknowledged to the trainee and supervisor.

"Appraisers in training" who comply with the policy will have their transmittals recorded in their master file for future reference. Appli-

cants to sit for exam who have failed to comply with the policy regarding experience logs and work products will be deemed ineligible until the next examination cycle to allow time to review and correct any deficiencies that may be found.

Exception: Those who applied to sit for the October 2006 exam and have been found in non-compliance will have their applications processed as received if they are completed properly and if time permits the scheduling of an interview and Board members are available to do the interview

All future applicants for exams whose log and reports have not been reviewed at the 1,500-hour interval will have their applications returned as incomplete and will be deferred until the next available exam cycle.

NOTICE

The licenses of nine Arkansas appraisers have lapsed because they failed to renew them by June 30 or advise the Board of their status.

The nine are Clay Ball, Springdale; B.J. Burney, Bentonville; Ethan Busby, Paragould; Alvester McFadden, Little Rock; Jeffrey Phillips, Bella Vista; Harold Sprague, Fayetteville; David Whitehead, Little Rock; and Thomas Woods, also of Little Rock.

These persons no longer have the proper credentials to appraise federally related transactions, and their names have been removed from the National Registry.